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HEALTH FINANCE COMMISSION

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MEETING MINUTES¹

Meeting Date: October 2, 2007
Meeting Time: 10:00 A.M., Central Time
Meeting Place: IU Northwest, 3400 Broadway,
Savannah Center Auditorium
Meeting City: Gary, Indiana
Meeting Number: 4

Members Present: Sen. Patricia Miller, Chairperson; Sen. Gary Dillon; Sen. Earline Rogers; Sen. Sue Errington; Rep. Charlie Brown, Vice-Chairperson; Rep. Peggy Welch; Rep. John Day; Rep. Richard Dodge; Rep. Don Lehe.

Members Absent: Sen. Beverly Gard; Sen. Marvin Riegsecker; Sen. Vaneta Becker; Sen. Connie Lawson; Sen. Ryan Mishler; Sen. Connie Sipes; Sen. Vi Simpson; Rep. Craig Fry; Rep. Phil Hoy; Rep. Carolene Mays; Rep. Scott Reske; Rep. Timothy Brown; Rep. Suzanne Crouch; Rep. David Frizzell.

The fourth meeting of the Health Finance Commission was called to order at 10:00 A.M., Central Time, by Sen. Patricia Miller, Chairperson.

Dr. Bruce Bergland, Chancellor of Indiana University Northwest welcomed the Commission to the campus.

Senator Miller introduced the members of the Commission.

Correction to the minutes of September 10, 2007.

Senator Errington was present at the September 10, 2007, meeting.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Hospital Construction Moratorium for New or Additional Facilities

Zach Cattell, Indiana State Medical Association (ISMA)

Mr. Cattell commented on the ISMA's concerns regarding a moratorium on hospital construction. He stated that ISMA would not support a moratorium at this time. To support the position, he pointed out that hospital construction is a driver of local economies and can provide for improved quality of care.

Wes Cleveland, American Medical Association

Mr. Cleveland introduced himself and commented that academic medical centers bring resources into communities. He explained that he has spent some time studying the issues involving the development of specialty hospitals, hospital moratoriums, and certificate of need (CON) programs. He reported the outcomes of several federal studies with regard to the impacts of specialty hospitals on health care provision. Regarding the charge that specialty hospitals cherry-pick, or select patients with insurance or the ability to pay for services, the federal study suggested that a reduction in the Medicare reimbursement for procedures typically performed in specialty hospitals would help to level the playing field. The study suggested that specialty hospitals help to promote innovation, improve access to technology, and may increase quality of care and patient satisfaction. Other federal studies he cited found no statistically significant conclusive evidence of patient access problems for the uninsured. Mr. Cleveland reported that Congress is currently considering a bill that would restrict hospital referrals by physicians to facilities in which they have ownership interests exceeding 2%.

Senator Miller asked for an executive summary of the studies mentioned to be distributed to the members of the Commission.

Commission questions followed with regard to possible exceptions to moratoriums for urban hospitals with large uninsured populations and the results of other studies that demonstrate significant increases in healthcare costs in states that do not have certificate of need programs. Mr. Cleveland responded that the AMA position with regard to healthcare for the uninsured is to find a way to provide coverage for all uninsured individuals. With regard to the CON question he commented that on balance, CON is not a significant factor in keeping costs down, but may increase costs due to project delays and application requirements.

Tim Kennedy, Indiana Hospital & Health Association (IHHA)

Mr Kennedy reported that there is no consensus with regard to the issue of construction moratoriums for hospitals among the members of the IHHA. Consequently, the IHHA does not have a position on this issue.

Hospital Designations and Definitions

Tim Kennedy, Indiana Hospital & Health Association (IHHA)

Mr. Kennedy reported that the IHHA is opposed to changing the names of entities due to definitions that are included in federal law. A different designation could impact specialty hospitals' eligibility for reimbursement from federal programs. The IHHA believes this would be counterproductive and not necessary.

Rep. C. Brown commented that he had raised this issue out of concern that people might look for services, especially emergency services, at specialty facilities that do not have them. He feels the designation of "hospital" for specialty facilities may be confusing to members of the

general public.

Michael McGee, MD, Methodist Hospital Emergency Department

Dr. McGee commented that hospital designations on signs should be definitive with regard to the availability of emergency services.

Sen. Dillon commented that all facilities should be able to stabilize emergency patients for transfer to a suitable facility but that if there are no services at all it would be confusing.

Sen. Miller commented that if there was further interest in this topic, it could be included on the next Commission agenda.

Potential for Ownership Conversion of the Acute Care Hospital in Gary

Senator Miller asked people testifying on this topic to address the local commitment to providing care for the poor.

Rep. Charlie Brown

Rep. C. Brown commented that the Methodist Northlake hospital is suffering. He reported that rumors have circulated that the hospital was going to close or that a new hospital was to be built by an Indian tribe. Community meetings have been held with area leaders and Methodist Hospital to make sure that quality services remain within the corporate limits of Gary. There is interest from Indiana University School of Medicine in locating a medical campus in Gary in order to expand the current two-year program to a full four-year medical education program. Rep. Brown stated that Gary should have hospital care available within the corporate limits. He commented that he supports a new hospital facility for Gary of 200 beds with a cost of \$220+ M. He remarked that Mitch Roob, Secretary of the Family and Social Services Administration, had said that the state can ill afford to let the hospital go under. Rep. Brown said that building a new hospital affiliated with IU School of Medicine could provide an economic engine for the Gary area. Funding such an undertaking is the problem, he reported. Methodist Hospital reports that they do not have the financial ability to fund a new facility and, further, they have concerns about their reputation if they pull out of the facility in the city. Additionally, Methodist Hospital has a consent decree in place that requires services offered at the Northlake campus be equal to those offered at the suburban Southlake location.

Sen. Miller stated that the Health Finance Commission is interested in a quality hospital being located in Gary. She commented that the Methodist Hospital was originally a commitment of the Methodist Church. Methodist Hospital in Indianapolis chose to remain downtown in order to continue its mission to the poor but also concentrated on providing high-quality specialty care services for which it is known in the state.

Rudy Clay, Mayor of Gary

Mayor Clay welcomed the Commission to the city and commented that Gary needs a hospital in the city. He said he would like to see a 4-year medical school with jobs for students so that they remain to practice in the area. He thought the University of Chicago could be the model for a regional center for quality healthcare to be located in Gary.

Sen. Edward Charbonneau

Sen. Charbonneau reviewed background information on the Methodist Hospitals. (See Exhibit #1.) He also commended Rep. C. Brown for his interest in the hospitals.

Rep. C. Brown asked if there had been any changes in discussions regarding the financing for a new hospital or a collaboration between IU Northwest and Methodist Hospitals? Sen. Charbonneau responded that Methodist could not finance a new hospital at this time.

Jeff Wells, MD, Director, Office of Medicaid Policy and Planning

Dr. Wells introduced himself and commented that he had attended his first two years of medical school at IU Northwest. Dr. Wells reviewed healthcare problems in the northwest Indiana region and suggested that the solution is to create an academic medical center partnered with the IU School of Medicine. (See Exhibit #2.) The focus of such a center, in addition to offering all 4 years of medical school, would be on children's services and trauma care. Dr. Wells remarked on the difference between medical training and classroom-based learning models; medical students learn by doing; it is the most effective way to teach doctors.

Mitch Roob, Secretary, Family and Social Services Administration

Sec. Roob commented that the stumbling block to the construction of a new hospital is finding a way to finance a facility estimated to cost \$200 M or more. He estimated the debt service on a capital investment of this size would be about \$20 M annually. Medicare and Medicaid reimbursements are not sufficient to allow for capital expenditures, and Methodist Hospital has stated that they are not in a financial position to finance a new facility. The operating dollars are available to run a facility; financing the capital expenditure is the problem. Sec. Roob remarked that the state is committed to helping Gary find the dollars to finance a new facility, but that the program needs to come out of Northwest Indiana.

Commission discussion followed with regard to clarification of the role the state would actually play in the financing issue, what legislative actions would be required, and the timing of such a project. Sec. Roob briefly explained the programs and acronyms for Disproportionate Share Hospital (DSH) and the Upper Payment Limit (UPL) programs for those in attendance.

Pat Bankston, PhD, Assistant Dean & Director, IU School of Medicine Northwest

Dean Bankston testified that the IU School of Medicine is responding to the state's need for more physicians by increasing the medical school class size. Their plan is to allow some students to take their third and fourth year of medical school training at regional campuses such as IU Northwest. Currently, students may take only the first and second years at IU Northwest. The School of Medicine supports the idea of a new hospital located close to the IU Northwest campus to serve as a site for the training of new physicians. (See Exhibit #3.)

Commission discussion followed. Sen. Miller asked about the number of Indiana residents in medical school and the retention of graduates in the state. Dean Bankston responded that 80 - 90% of IU medical students are Indiana residents. He also referred to a study that demonstrated that Indiana has the highest retention of medical school graduates in the country. Sen. Miller asked that a copy of the study be provided to the Commission.

Rep. Welch asked the Dean why the School of Medicine was expanding the number of students at IU Northwest and not in other parts of the state. He responded that the expansion will occur at IU Northwest and at seven other sites throughout the state. Rep. Welch commented on the need to link an expansion of nursing education with medical education.

Claude Watts, CEO, Methodist Hospital

Mr. Watts commented that Methodist Hospital is undergoing a revitalization. He read a prepared statement of the Board of Directors. (See Exhibit #4.) He added that Methodist

Hospital wishes to be active in the discussions regarding the continuance of health care in Gary.

Commission discussion followed with regard to Methodist's role in healthcare in Gary and the potential role that it might play in a new facility. The role the consent decree plays in the current provision of care was also discussed. Rep. C. Brown explained that the consent decree was the result of a lawsuit brought when the Southlake hospital was built. The original hospital in Gary was renamed Northlake. The consent decree provided that Methodist could not do more for one facility than for the other.

Geraldine Darron-Simpson

Ms. Simpson read a statement on behalf of Dr. Steve Simpson regarding the need for the Methodist Northlake hospital in Gary. The statement noted that Wishard Hospital in Indianapolis had undergone a similar experience to that currently being experienced by the Northlake hospital. Dr. Simpson supports a new hospital in Gary that is affiliated with the IU School of Medicine but does not support that hospital being government-owned. He suggested finding funding for a new hospital that would constitute a "shot in the arm" for the current facility provider. If such assistance were to be made available, Dr. Simpson suggested that there should be better oversight of the administration of the Methodist Northlake hospital and that the proceedings of the Board should be made public.

Michael McGee, MD, Methodist Hospital Emergency Department

Dr. McGee gave a presentation on the need for a regional trauma center to be located in Gary for Northwest Indiana. (See Exhibit #5.) Dr. McGee pointed out that Methodist Northlake Emergency Department treats a very high percentage of penetrating injuries due to gunshot and stabbing as well as numerous blunt force trauma cases due to traffic accidents. He remarked that many people assume that Methodist Northlake is a trauma center; however, he noted that it is not designated as a trauma center nor is there a designated trauma center located anywhere in Northwest Indiana. Trauma patients are stabilized and transferred to facilities in Chicago or Indianapolis. Dr. McGee noted that in order to be classified as a level one trauma center, a hospital must have medical students and residents and house ongoing research programs. In order to create a regional trauma center, Methodist Northlake must have an affiliation with IU School of Medicine. Dr. McGee emphasized that if Methodist Northlake would discontinue provision of emergency services, other hospitals in the area would be unable to handle the increased emergency department volume. He further reported on efforts being made to obtain private and public funding to address this concern.

Seferino Farias, MD, Chief of Surgery and Trauma, Methodist Hospital

Dr. Farias introduced himself and noted that Dr. McGee had covered the need for a designated trauma center in Northwest Indiana and that he agreed with his presentation. He emphasized that a durable, sustainable teaching hospital is needed in Northwest Indiana.

Richard Hug, Ph.D., Associate Professor, School of Public & Environmental Affairs, IU Northwest

Dr. Hug reported on healthcare disparities and the opportunity to address them in Northwest Indiana. (See Exhibit #6.) Dr. Hug presented statistics on the uninsured Hispanic and African American population and access to physicians and medications. He suggested that increasing healthcare manpower availability and affordable health insurance as well as a new facility could do much to address the problem of health care disparities. A new facility could also improve the recruitment and retention of primary and specialty care physicians in the area as well as serve

as a boost to the regional economy.

Lisa Harris, MD, CEO and Medical Director, Wishard Memorial Hospital

Dr. Harris discussed the integrated system of healthcare services that Wishard provides in Marion County. The hospital oversees eight community health centers, Midtown Community Mental Health Center, and a rehabilitation center. The system operates with an electronic medical record system and provides a 24-hour nurse triage unit. She commented that the hospital benefits enormously from the relationship with the IU School of Medicine. The research that takes place in the hospital also contributes to the ability to provide a high level of quality care. Dr. Harris reported that commercially insured patients constitute less than 10% of the total patient volume and that the hospital cares for the majority of the uninsured population in Marion County. Wishard has the largest volume of outpatient visits among safety-net hospitals nationwide. The hospital has created the Wishard Advantage program, which is a health cost assistance program for low-income individuals. Dr. Harris commented that four years ago Wishard was experiencing serious financial difficulties, at which time the management reviewed the operations of the hospital for potential savings. Savings identified were subsequently reinvested in patient care improvements. She mentioned that the hospital needs to continue to improve the payer mix without compromising access to care for the poor.

Dr. Harris explained that Wishard Hospital has achieved financial stability and breaks even with the support of the Marion County Health and Hospital Corporation. She commented that potential federal Medicaid reimbursement cuts could upset that stability.

Sandra Gadson, MD, Methodist Hospitals

Dr. Gadson introduced herself as a nephrologist practicing at Methodist Hospital and a past president of the National Medical Association. She commented that the information regarding healthcare disparities for African Americans and the poor has been known and discussed for 100 years; it is now time to do something about it. Dr. Gadson added that without a full-service hospital in Gary, the problem of access to care is exacerbated. She commented that she does not think CON is the solution to the problem and cited the opening of a free-standing dialysis center in Gary once CON was repealed. This service provided employment and efficient patient care that had been delayed by the need for CON. Dr. Gadson stated that despite the bad times, things were moving forward. The suggestions for creating a trauma center and increasing the nursing staff could be started programmatically now, but a new facility is still needed. The funding of a new facility is the problem. With regard to earlier comments regarding the consent decree, Dr. Gadson stated that the consent decree was a visionary step that needed to remain in place. She concluded by stating that a top quality health care facility is needed in Gary.

Karen Freeman-Wilson, Attorney

Ms. Freeman-Wilson testified that generally there is agreement that a teaching hospital, trauma center, and full-service healthcare facility would be good for Gary. She added that the question is how to fund the project. She challenged the Commission to join in the effort to facilitate this mission since Gary cannot pass legislation by itself. She remarked that healthcare services were needed on both hospital campuses but that there needed to be community dialog on where services should be provided.

Sen. Miller asked about the local commitment towards the financial needs of the project. Ms. Freeman-Wilson responded by saying that people are skittish about property taxes and suggested that a local income tax may be a more fair way to address the issue. Sen. Miller asked about the availability of money from the casino revenues. Ms. Freeman-Wilson noted that to her knowledge, this was not an option since a significant portion of the gambling dollars

are already pledged for previously approved projects such as the baseball stadium.

Sen. Rogers asked what was expected from the Commission. Ms. Freeman-Wilson remarked that the Commission and the General Assembly can call the stakeholders to the table and help to facilitate the discussion necessary to get the project done.

Anna Gibbons, Service Employees International Union (SEIU), Local 20, Representative

Ms. Gibbons introduced herself as an employee of Southlake hospital. She cited a recent newspaper article that identified increased incidence of diseases, especially in the minority population. She stated that due to the cost, the poor and uninsured are forced to forego preventative care and that the emergency department is the primary care giver to many Gary residents. She stated that she believed that with proper funding and support Methodist Hospital could provide sustained quality healthcare. She added that Gary needs a fully functional hospital but that legislation providing for new funding streams is needed. She commented that the lack of a full-service hospital in Gary affects the affluent as well as the poor and that the entire region lacks and needs access to a designated trauma center.

Lorenzo Crowell, SEIU Local 20

Mr. Crowell identified that his comments were being made on behalf of Bryan Hobbs, President of SEIU, Local 20. Mr. Hobbs had to leave due to another engagement. Mr. Crowell commented that the relationship of Methodist Hospital and the Union was changing. The Union has been attending monthly forums and is partnering with Methodist to make this project happen. He added that Gary is the third or fourth largest city in the state and that it needs an optimum level of patient care to be available. With regard to the issue of the need for Certificate of Need, Mr. Crowell stated that CON was a valuable program. He commented that if the area is saturated with new hospitals, the Northlake hospital will likely lose; with no checks on building, someone will fail. He cited the closure of nursing homes in Northwest Indiana as an example.

Lynn Olszewski, Director, NW Health Education Centers

Ms. Olszewski identified the NW Health Education Center's geographic region as containing 19 counties. The goal of the health education centers is to help meet the healthcare manpower needs of providers in the state. The centers encourage people to enter careers in the health professions, focusing on underserved communities. Ms. Olszewski cited the Discover Nursing Corps. and clinical rotations for nursing and medical students in Federally Qualified Healthcare Centers and other community settings as recruitment and training tools the Health Education Centers support. She stated that the Health Education Centers are already working towards ensuring a competent work force and that the NW Center supports Methodist Hospital.

Rep. Vernon Smith

Rep. Smith commented that he was pleased with the services he had received at the Northlake hospital but was tired of changing physicians due to physicians relocating outside of Gary. He remarked that he was surprised to learn that there was no trauma center located in Northwest Indiana - he thought the Northlake hospital was a trauma center. Rep. Smith stated that Methodist Hospital needs to find a vision to find a way to continue on in the city. He added that the Commission needs to make sure that what is right is done. Rep. Smith concluded by emphasizing that there is a need in Gary for a full-service hospital.

Ricardo Hood, MD, City Health Commissioner, Gary

Dr. Hood said that he supports the IU School of Medicine expansion to a 4-year program in

Gary; he also supports the construction of a new facility. Dr. Hood emphasized that the needs for a trauma center and increased professional workforce were programmatic issues that could be addressed using the current facility. He stressed that the programs could start now to begin addressing the access-to-care issues in Gary.

Commission discussion followed regarding when a new facility should be built. Dr. Hood responded by saying the issue is not a new facility alone, but rather the programs it will house. He added that third- and fourth-year medical students could start now - there is a hospital available that will serve until a new facility can be built. He emphasized that the education programs are the key.

Eddie Tarver

Mr. Tarver introduced himself as a Gary community activist. He commented that construction undertaken to address medical needs could be an economic driver for the area. Mr. Tarver expressed the need to be creative in resolving the health care access issues and the need to look at increasing sustainable employment in the area at the same time.

Jeffrey Miller

Mr. Miller addressed the Commission on behalf of Judge Bonaventura of the Lake County Juvenile Court. He commented on the need to provide services for children and the fact that the families of children admitted to specialty care often cannot travel to these facilities. He stated that the Juvenile Court supports the project.

Healthy Indiana Plan (HIP) Update

Mitch Roob, Secretary, Family and Social Services Administration (FSSA)

Sec. Roob reported that the federal Centers for Medicare and Medicaid Services (CMS) and the Office of Management and Budget (OMB) have approved the Medicaid waiver necessary to implement the Healthy Indiana Plan. He commented that providing coverage for non-parental adults had been a problem but that the approved waiver preserved about 95% of the program contained in HEA 1678-2007. The Secretary also reported that two companies have been selected to perform the work. Marketing of the Healthy Indiana Program will begin in mid-November, enrollment is scheduled to begin in December, and coverage is to start in January.

There was Commission discussion with regard to the name of the program.

Sen. Errington asked about what components of the program were not approved by CMS. Sec. Roob responded that CMS required the program to use an enrollment broker such as is used for the Hoosier Healthwise Program. This had not been part of the original plan. Additionally, FSSA withdrew the Family Planning waiver with plans to resubmit it after the HIP approval was received. The Secretary estimated the Family Planning waiver would experience a delay of at least two months as a result.

Ways to Encourage MDs to Practice in Rural and County Hospitals

Zach Cattell, ISMA

Mr. Cattell stated that the ISMA is interested in addressing all medically underserved areas of the state - not just rural and county hospitals. He reported that two-thirds of the state qualifies as health profession shortage areas. He also reported that the average debt of a medical student is about \$150,000 and that physicians enter the workforce ten years later than college

graduates in baccalaureate programs. Methods that might encourage medical students to choose primary care practice and to locate in underserved areas include loan repayments, scholarship programs, and the expansion of the IU School of Medicine. In Terre Haute, the School of Medicine is concentrating the educational experience on rural primary care practice and recruiting students interested in practicing in such an environment. Mr. Cattell cited a report by the Physician Workforce Task Force of the IU School of Medicine that demonstrated that nonresident physicians were migrating into the state but that they tend not to stay, whereas Indiana-trained physicians tend to remain in Indiana. He added that the model program for this purpose was the National Health Service Corps but that the federal money available for the loan repayment program was discontinued this year.

Sen. Miller asked for a copy of the cited report to be distributed to the members of the Commission.

Rep. Charlie Brown explained to the audience why some members of the Commission left before the meeting adjourned.

Sen. Miller adjourned the meeting at 1:50 P.M.